

Accounting Standards in Canada: Enhancing Relevance

2022-2027 Strategic Plan

(Effective April 1, 2022)





The Accounting Standards Board (AcSB) is an independent body with the authority to establish accounting standards for use by all Canadian entities outside the public sector. For further details on the AcSB, please visit our [website](#).

The AcSB's 2022-2027 Strategic Plan sets out the broad objectives that will guide us in achieving our public interest mandate. We decided on these objectives after extensive consultation with interested and affected parties.

Implementation plans to execute these strategies will be described in our annual plans.



The Accounting Standards Oversight Council (AcSOC) oversees the AcSB's activities, assesses and reports on our performance to the public, and ensures due process is followed.

The AcSOC also appoints our members and provides input on our strategies and priorities.

For further details on the AcSOC, please visit its [website](#).

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Chair's Message

Ten years ago, we established four parts of the CPA Canada Handbook – Accounting (hereafter referred to as “the Handbook”), separating accounting standards for publicly accountable enterprises, private enterprises, not-for-profit organizations (NFPOs), and pension plans. Since then, Canada’s financial reporting landscape has evolved considerably.

We have seen a tremendous change in the reporting needs of Canadian entities. Investors and other interested and affected parties demand more transparency and decision-useful information, beyond what is currently available in the traditional financial statements.

COVID-19 also taught us how quickly things can change. It presented some novel and unpredictable risks and opportunities for reporting entities. Like the rest of the world, we had to deal with these changes and impacts. We were tested – but I am proud of how the AcSB responded. We kept our ears to the ground, pivoted in a timely manner, and helped interested and affected parties navigate and deal with new and emerging issues.

Looking ahead to the next five years, I am reaffirming the AcSB’s vision of enhancing the relevance of financial information and supporting the improvement of non-financial information reported to interested and affected parties. With so much changing around us, we are focused on identifying how best to support the needs of interested and affected parties – inside and outside traditional financial statements.

Our Strategic Plan for 2022-2027 identifies strategies to do just that across all groups of interested and affected parties – helping financial statement users make well-informed, economic decisions and allowing financial statement preparers to explain their results in a cost-effective way. This includes continuing with our core mandate of serving the public interest through the development of accounting standards and other reporting guidance.

We continue to think that one size does not fit all to meet the reporting needs of Canadian entities. We will continue to establish accounting standards that are appropriate for each category of reporting entity, and this plan includes strategies to enhance the relevance of those standards to better meet the diverse needs of Canadian reporting entities.

In 2021, the Independent Review Committee on Standard Setting (IRCSS) in Canada began reviewing the governance and structure for establishing Canadian accounting, auditing, and assurance standards, as well as what might be needed for the future. This includes considering whether a separate Canadian sustainability standards board is needed.



Environmental, social, and governance (ESG) reporting is at an important juncture in Canada and around the world. With the establishment of the International Sustainability Standards Board (ISSB), there continue to be strides taken toward the development of a global set of sustainability standards. We are seeing developments in Canada as well, with the ISSB's Montreal office location, and sustainability reporting guidance like the Canadian Securities Administration's proposal on climate-related matters.

We recognize that the environment in which we operate is evolving rapidly, and we will continue to monitor and revise our strategic priorities as needed. We are also keeping a close eye on the IRCSS' final recommendations and stand ready to continue our collaborative approach to standard setting in the public interest.

Globally, we have developed a reputation as a strong standard setter, and this will continue to be important to ensure that Canada has a seat at the table when issues that matter to Canadians are discussed.

I am confident in the direction of this plan and look forward to continuing to work with interested and affected parties during my remaining tenure as Chair to deliver high-quality and relevant standards that serve the public interest.

A handwritten signature in black ink, appearing to read "Linda Mezon-Hutter". The signature is fluid and cursive, with a large initial "L" and "M".

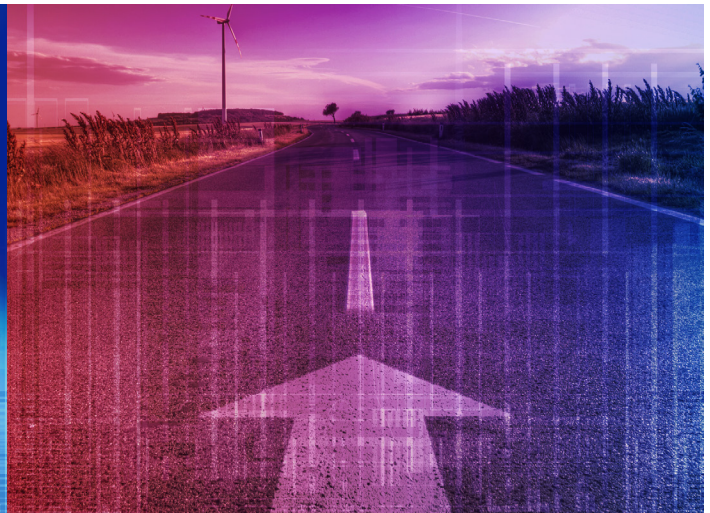
Linda Mezon-Hutter, FCPA, FCA, CPA (MI)

Chair, AcSB



Our Vision

To be a global leader in enhancing the relevance of financial information and supporting the improvement of non-financial information reported to interested and affected parties.



Our Mission

To serve the public interest by developing accounting standards and other related reporting guidance that support informed economic decision making.



Strategies

In setting the strategies in the 2022-2027 Strategic Plan, the AcSB has reflected on the current environment as we think more broadly about our role beyond setting accounting standards applied in the preparation of financial statements. As information needs evolve, we will work with other Canadian and international standard setters to enhance the relevance of financial information and to support the improvement of non-financial information reported to interested and affected parties. To achieve this, we have identified three core strategies for the next five years as outlined below.





Deliver relevant and high-quality accounting standards

The AcSB will continue to establish high-quality accounting standards that promote confidence in the information reported by Canadian publicly accountable enterprises, private enterprises, NFPOs, and pension plans. We will focus on enhancing the relevance of the accounting standards for each category of reporting entity. This will include:

- evaluating the Preface to assess whether the applicability of each framework to each category of reporting entity meets the needs of interested and affected parties;
- exploring scaling the standards for non-listed entities to better meet different reporting needs; and
- addressing emerging issues in a timely manner.

Preface

The Preface sets out which accounting framework in the four parts of the Handbook applies to each type of reporting entity. We will undertake activities, including research and consultation, to explore how to improve the Preface to best serve the needs of interested and affected parties. This includes considering whether to continue or change the accounting framework required to be used by certain types of non-listed entities.¹ Two examples of such entities are:



¹ Non-listed entities refer to entities other than those that have issued, or are in the process of issuing, debt or equity instruments that are or will be, outstanding and traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets).

- entities holding assets in a fiduciary capacity that are currently required to apply IFRS® Standards in Part I of the Handbook, such as mutual insurance companies or certain credit unions; and
- co-operative enterprises currently applying Accounting Standards for Private Enterprises (ASPE) in Part II of the Handbook that may have similar characteristics as member-benefit organizations, which apply Accounting Standards for NFPOs in Part III of the Handbook.

In addition, the AcSB will work in conjunction with the Public Sector Accounting Board (PSAB) to explore which frameworks certain types of government business enterprises may apply.² For example, some smaller government business organizations that meet the definition of a government business enterprise are currently required to apply IFRS Standards, though these organizations share similar characteristics with private enterprises.

Scalability of the standards

In Canada, the landscape of reporting entities is diverse. Private enterprises, NFPOs, and pension plans can vary widely in terms of size and complexity. Therefore, the information needs of financial statement users may also be varied. We have heard in some circumstances, IFRS Standards may be too complex or onerous to apply, but that ASPE does not sufficiently meet users' needs. On the other hand, we are aware of small private enterprises and NFPOs that consider ASPE and NFPO standards too complex. Therefore, we will undertake activities, including research and consultation with interested and affected parties, to explore scaling the existing accounting frameworks to better meet the needs of non-listed Canadian entities and of their financial statement users. Scaling the standards may include allowing additional accounting-policy choices within the existing accounting frameworks and/or looking at the extent of disclosure requirements for existing frameworks.

IFRS Standards

The AcSB will continue to support the application in Canada of IFRS Standards as issued by the International Accounting Standards Board (IASB), given the continuing relevance of global standards to assist in raising capital. Specifically, we will focus on the following areas.

2 The [Introduction](#) to Public Sector Accounting Standards in the CPA Canada Public Sector Accounting Handbook defines a government business enterprise as “a government organization that has all of the following characteristics:

- It is a separate entity with the power to contract in its own name and that can sue and be sued.
- It has been delegated the financial and operational authority to carry on a business.
- It sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity.
- It can, in the normal course of operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity.

(These characteristics are explained in GOVERNMENT REPORTING ENTITY, paragraph PS [1300.29-31](#).)”

Adoption of new or amended IFRS Standards

Certain jurisdictions other than Canada have, in some circumstances, permitted the adoption of a new or amended IFRS Standard after the effective date set by the IASB. Canada is often among the first to adopt and interpret a new or amended standard as a result of adopting IFRS Standards as issued by the IASB (including effective dates) and our quarterly reporting regime. We have worked with the IASB and other national standard setters to encourage a global effective date. To assist interested and affected parties with the associated challenges, risks, and costs or prevent their incurrence, we will continue to:

- impress upon the IASB, standard setters in other jurisdictions, and securities regulators the benefits of a single date for the global adoption of new IFRS Standards; and
- explore ways to better support the implementation of new IFRS Standards through identifying and discussing issues in Canada and in other jurisdictions.

Guidance

The AcSB supports a single set of high-quality global accounting standards and so will generally not issue authoritative guidance on IFRS Standards. We will continue to monitor the need to exercise our ability to issue such guidance if that is warranted for a specific topic. We will also continue our efforts to identify IFRS Standard application issues, through research and consultation with our [IFRS Discussion Group](#) and encourage the IASB to address such issues.

Accounting Standards for Private Enterprises and Accounting Standards for Not-for-Profit Organizations

The AcSB will continue to establish appropriate ASPE and NFPO standards while working to enhance their relevance to meet users' needs. We will implement this strategy by:

- considering the need to amend the Preface of the Handbook and for scaling within the standards; and
- retaining and improving a set of standards that:
 - address emerging issues on a timely basis;
 - are principles-based; and
 - support the use of professional judgment.

Guidance

The AcSB recognizes that in today's continually evolving environment, tools are needed to respond to the needs of interested and affected parties in a timely manner and to support the consistent application of ASPE and NFPO standards. We will continue to develop resources as needed and consult with our

advisory committees on financial reporting challenges in practice to address these needs in a timely manner.

Accounting Standards for Pension Plans

Pension plans apply a separate set of standards the AcSB developed for this sector. Our outreach indicates several areas for improvement in Part IV of the Handbook. Examples of these areas include considering:

- the effects of changes to standards in other parts of the Handbook (e.g., IFRS 9 *Financial Instruments*) and whether, for example, implementation guidance applicable to pension plans is needed; and
- the determination of the fair value of investments.

The AcSB will enhance the relevance of accounting by pension plans to meet users' needs. We will implement this by seeking input from our [Pension Plan Working Group](#), completing outreach and other research activities, and determining what, if any, improvements are needed related to the accounting by pension plans.





Support improving the quality of reporting beyond the traditional financial statements

The AcSB and our international counterparts understand that in today's global economy the accounting of transactions is becoming increasingly complex for entities to apply and for decision makers to understand. As a result, financial statement users increasingly rely on real-time information to make decisions.

There is also a growing push for more information about ESG commitments, impacts, and performance that affect a company's value today and its ability to create value in the future. This information is largely unavailable to users to evaluate business performance or is not mandatory under today's financial reporting requirements. We recognize that developments in this and other areas may not only impact publicly accountable entities but could have broader implications for other types of Canadian entities given the growing demand for reporting beyond what is currently provided in the financial statements.

With the announcement and formation of the new ISSB, the development of high-quality global sustainability standards to meet the information needs of investors in the global financial markets continues to push forward. Research shows that ESG, corporate performance, and long-term enterprise value are linked, and investors are embedding ESG into their investment decision-making process. Global markets continue to take a deeper look at what drives long-term value creation in a business as investors and other financial statement users view ESG matters as a critical part to building long-term enterprise value and a more sustainable business. As a standard setter, we recognize the importance of these developments and the interconnection between financial and sustainability reporting.

We also understand that while the demand for climate-related information is significant, there is also a strong demand for other information outside of the financial statements. It is therefore imperative to ensure the improvement of reporting beyond the traditional financial statements is not done in silos. We will work together with other Canadian and international standard setters to develop guidance to respond to the needs of interested and affected parties as needed.



Grow the AcSB's international influence

The AcSB has earned respect as a strong national standard setter and wields international influence as a result. We will build on our global reputation as a strong national standard setter and remain firmly seated at the international table when issues important to Canadians are discussed to ensure that the Canadian perspective is heard and considered.

We also plan to use the traction we have gained to grow our international influence for private enterprises, NFPOs, and pension plans.

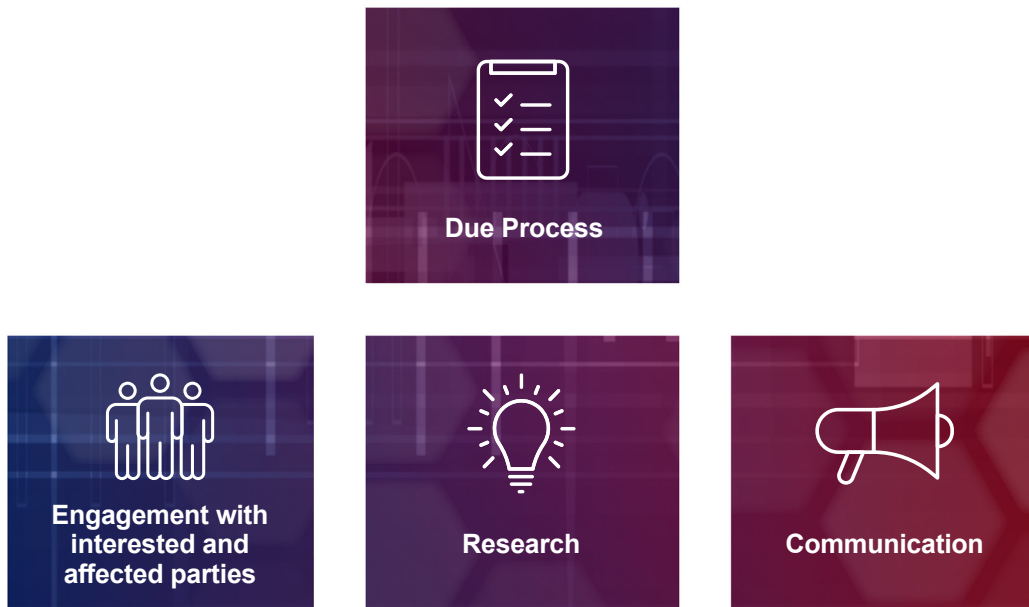
- For private enterprises, we will strengthen our relationships with other standard setters by discussing issues affecting private enterprises and sharing best practices. In addition, we will continue to monitor international projects to assess whether there are relevant learnings for Canadian private enterprises.
- For NFPOs, we will strengthen our relationships with others involved in not-for-profit standard setting (e.g., PSAB and standard setters in other jurisdictions). In addition, we will consider relevant learnings from collaborating with other standard setters as we improve Canadian accounting standards for NFPOs.
- For pension plans, we will liaise with our Pension Plan Working Group, and PSAB, as appropriate, to understand issues with applying Part IV of the Handbook to today's pension plans. We will also support the work other standard setters may undertake in this topic area and consider relevant learnings from other jurisdictions to improve the accounting standards for pension plans in Canada.



- For publicly accountable enterprises, we will continue and build on:
 - participating, monitoring, and influencing the development of IFRS Standards to ensure Canadians' views are given due consideration;
 - creating and maintaining a high level of interaction with international standard setters, working with them to minimize differences in the various sets of standards applied internationally;
 - encouraging the IASB and the Financial Accounting Standards Board (FASB) to narrow unnecessary differences in financial reporting outcomes and liaise with the FASB on matters of mutual interest; and
 - helping identify qualified Canadians to serve on the IASB and its advisory groups.



Carrying Out the Plan



Due process

The AcSB's due process, as documented in the [AcSB Due Process Manual](#), is based on the principles of transparency, consultation, and accountability, and is comparable to that of other national standard setters.



Engagement with interested and affected parties

As part of its due process, an effective standard setter consults with interested and affected parties about its project priorities. The AcSB regularly meets with our advisory committees, publishes documents for comment, and seeks input through outreach activities.

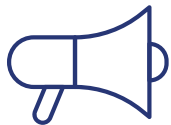
In addition, standard setters often liaise with other authorities (including securities regulators, governments, auditing regulators, prudential regulators, and professional accounting bodies) in working toward a shared goal of high-quality financial reporting. The AcSB will continue to prioritize liaison activities.



Research

Research enables the AcSB to make evidence-informed decisions. To best inform standard-setting decisions, research needs to be relevant to the issues the Board is considering and timely. The Board will consider:

- undertaking research to inform decisions relating to future project work; and
- working with academics to research a specific topic as part of a standard-setting project or other initiative.



Communication

The AcSB communicates extensively with interested and affected parties through our outreach activities, social media, and our website (www.FRASCanada.ca). We also host roundtables and events related to developing IFRS Standards and domestic standards and provide input to the IASB on behalf of Canadians.

We will continue to look for ways to use technology to increase our accessibility, enhance communication, and seek input from interested and affected parties.



Monitoring Our Strategies

We will monitor our progress in implementing this strategic plan on an ongoing basis, comparing results achieved against desired outcomes. As well, we have an established risk-management process that includes monitoring developments in the environment to identify when to change our standard-setting approach. To ensure we achieve our mandate, we must manage key risks relating to:

- the effectiveness of our consultation and communication with Canadians;
- the effectiveness of our involvement in international standard-setting processes;
- the effectiveness of our staff;
- whether preparers apply some or all of the standards; and
- the strength of our reputation.

In developing our annual plans, we review the controls we have in place to mitigate these risks and determine if there are other risks to manage or actions to be taken.

Accordingly, the actions we take to implement this plan will be adjusted as necessary during the 2022-2027 period, so our planned initiatives continue to meet the needs of interested and affected parties. The AcSB will describe the implementation plans to execute these strategies in our annual plans.

In overseeing our activities, AcSOC will assess our performance against the objectives set out in our strategic plan and in our annual plans, to ensure the effective, efficient, and economic fulfillment of our public interest mandate. In developing the annual plans, the AcSB prioritizes our projects and ensures the effective use of our resources to achieve our objectives.

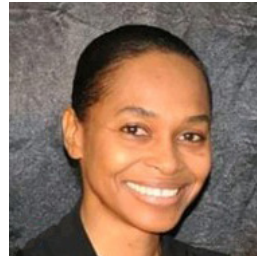
2021-2022 AcSB Members



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CHAIR



Armand Capisciolto
VICE-CHAIR



Carol Rowe



Charles Henaire



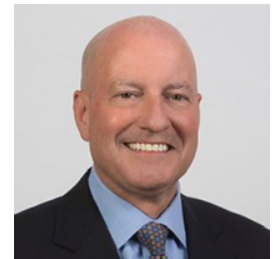
Chris Kovalchuk



Guy Jones



Howard Leung



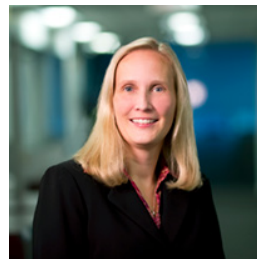
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